

**DEPARTMENT OF FOOD AND AGRICULTURE****Milk Pooling Branch**

1220 N Street, A-230

Sacramento, CA 95814-5621

Phone: (916) 654-0795

January 18, 2001

IMPORTANT NOTICE**TO THE HANDLER ADDRESSED:**

Disruptions of electrical energy supplies to dairy processing plants have caused significant problems for several milk processors in recent days. The purpose of this letter is to clarify specific action that can be taken to receive authorization for custom processing of Class 2, 3 and 4b milk products. This authorization will be expedited on a limited term basis in response to electrical blackouts.

Milk Pooling Branch Policy and Procedural Letter No. 5.5 (copy attached) allows for custom processing of Class 2, 3 and 4b products with prior approval of the Secretary. The Department recognizes the severity of this situation and is prepared to expedite authorization of custom processing for these categories on a case-by-case basis for up to seven days per request.

Classes 2, 3, and 4b custom processing requests caused by electrical blackouts must be submitted to the Milk Pooling Branch by the producer or cooperative supplying (owner) the milk. Requests should describe the electrical blackout circumstances and the plant, which will perform the custom processing. Requests must strictly comply with the guidelines set forth in Policy and Procedural Letter No. 5.5 and may be faxed to the Milk Pooling Branch at (916) 653-8919.

If you have questions about this notice please contact John Lee, Don Shippelhouse or me at (916) 654-0795.

Sincerely,

Robert Horton, Chief
Milk Pooling Branch

Enclosure – Policy Letter 5.5

DEPARTMENT OF FOOD AND AGRICULTURE

1220 N Street, Room A-230
Sacramento, CA 95814-5621
Phone: (916) 654-0795
Fax: (916) 653-8919
E-mail: poolina@cdfa.ca.gov



**MILK POOLING BRANCH
POLICY & PROCEDURAL LETTER NO. 5.5**

CUSTOM PROCESSING OF CLASS 2, 3, 4A & 4B PRODUCTS ONLY

Custom processing of market milk into any Class 2, 3, 4a or 4b product is any transaction in which one handler performs services for another handler, such as processing and packaging, and does not take title to the product. A handler is defined in the Milk Pooling Plan. Such definition does not include individual producers. Handlers who custom process market milk shall use the following guidelines.

1. Custom processing shall normally be limited to Class 4a products only. Any custom processing of Class 2, Class 3 or Class 4b products shall have prior approval of the Director which must be confirmed in writing. The Director's approval shall be predicated on a demonstrated unforeseen emergency need. Such approval shall generally be for a period not to exceed 60 days.
2. Title to the bulk milk and the resulting manufactured products shall remain with the shipping handler until final disposition. The processing handler may only act as a broker for sales to the Federal Government. The disposition of the manufactured products shall be either:
 - (a) Sold and delivered to the Federal Government by the processing handler, or
 - (b) Returned to the shipping handler who will arrange for its final sale and disposition.
3. The processing handler is prohibited from directly or indirectly purchasing the manufactured products.
4. Charges for custom processing of the shipping handler's bulk milk into manufactured products shall be borne by the shipping handler.
5. The processing handler shall report to the shipping handler the manufactured products yielded from the bulk milk which is custom processed.

6. If the processing handler stores, refrigerates, or otherwise warehouses the shipping handler's manufactured products, such products may be included with the processing handler's own product inventory. However, separate accountability must be maintained for the shipping handler's products.
7. Each processing handler who custom processes another handler's market milk into manufactured products shall maintain complete records of such transactions for review by the Director for a period of not less than three years.
8. Each processing handler who custom processes bulk milk for another handler shall report to the Director as follows:
 - (a) The processing handler shall not report this milk as either a receipt or disposition.
 - (b) The processing handler shall complete MPB Form 800C showing the total amount of market milk custom processed for each handler and the amount processed into each class.
 - (c) The shipping handler shall report the total amount of market milk shipped for custom processing on the MPB Form 800. Lines 65 or 66 for Class 2 products, Lines 74 or 75 for Class 3 products, Lines 84 or 85 for Class 4a products, and Lines 90 or 99 for Class 4b products with the appropriate entries on the MPB Form 800B.

Henry Voss
Director

By

Glenn Gleason
Milk Pooling Branch

Date: March 13, 1992